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C O N F I D E N T I A L SECTION 01 OF 03 ASHGABAT 001402

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SUBJECT: HUNGARIAN AMBASSADOR TO TEHRAN DISCUSSES "BURNING  
EMBERS" OF CHANGE IN IRAN

REF: 08 ASHGABAT 1420

Classified By: Charge Sylvia Reed Curran for reasons 1.4 (b) and (d).

11. (C) SUMMARY: Hungarian Ambassador to Iran Gyorgy Busztin met October 29 with Charge to share his views on the situation in Iran. Busztin said the protests marked a turning point for the country, because the government lost legitimacy and people felt the power they had to promote change. He said increasingly people are calling for the end of the Islamic Republic and the creation just of an Iranian Republic. Busztin said the dire economic situation of the country and growing inflation threatens the viability of the regime and is causing greater hardship for the population. He doubted Iranian sincerity in the nuclear talks, but believed their failure would lead to a crackdown on civil society. Busztin encouraged the United States to stay the course and that sanctions should be directed at the government rather than at the people. END SUMMARY.

GROWING SUPPORT FOR A SECULAR REPUBLIC

12. (C) Hungarian Ambassador in Tehran Gyorgy Busztin, who is also accredited to Turkmenistan, met with Charge on October 29 to share his views on the situation in Iran. Busztin said there are very serious internal divisions in the regime, with the Revolutionary Guard, together with Khomeini and Ahmadinejad, trying to push back the traditional clergy. It was important for the Revolutionary Guard and Khomeini that Ahmadinejad had an overwhelming victory. However, Busztin said, no one believes that Ahmadinejad won. Most believe that Mousavi won.

13. (C) In Busztin's estimation, many people, especially in the larger cities, want change. These people are divided between those who want measured change and those, primarily young people and others, who want to see the Islamic Republic dismantled and replaced by an Iranian Republic. Busztin said the signs promoting "Iranian Republic" that protesters carried reflected a profound change in the population. Conservatives believe that the West's support of the protesters was in order to foment a "velvet revolution."

POST-ELECTION PROTESTS

14. (C) Busztin predicted that the number of people against the regime will grow over the next 6 - 12 months and protests could restart. Iran is not the same country it was before the elections. People feel that they can make a difference. He noted there were 3 million people on the streets of Tehran protesting. The "embers are just below the surface," still burning. For now, however, most people are fearful of the consequences if they take to the streets. Trials are still ongoing. Many of the reform movement leaders have been killed, are behind bars, or have disappeared. (Although Mousavi and others are still free.) All of this was meant to terrorize the population into submission. There is a moratorium on assemblies. However, on November 4, which is the holiday of "Occupation of the Den of Spies," (the day the U.S. Embassy was seized) is a traditional day for rallies. Busztin believed we could see huge rallies on that day, although both sides would use the holiday for their own ends. He noted that many of those active in the reform movement are veterans of the seizure of the American Embassy. He said this fact makes young Iranians wonder what happened to the "revolution."

15. (C) Busztin said he was impressed with the people during the protests, from elites down to the grassroots. For 1-1/2 months, people would get on their rooftops at 10:00 p.m. and scream "Allahu Akbar." There was widespread, very deep resentment. As the protests went on, the government lost legitimacy.

MOUSAVI

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16. (C) Although free, Mousavi is under constant surveillance. He manages, however, to maintain contact with colleagues. Busztin said the opposition is coalescing around Mousavi.

DIRE ECONOMIC STRAITS

17. (C) Busztin said that the country's worsening economic state is putting pressure on the regime and causing greater hardship for the people. He predicted it could eventually become untenable. There has been no substantial investment in the oil and gas sector for the past 15 years, and therefore, it has been difficult to maintain the level of production. Busztin said that if the government cannot get substantial investment, production will dry up. In addition, there has been significant mismanagement of the economy as the government adopts poor financial policies. Busztin estimated that the rate of inflation was 20-30% and said the government's inflationary policies were bad for the people.

18. (C) Busztin said the Iranian parliament approved a range of subsidies for fuel and basic foodstuffs. He said this will lead to an 11% increase in inflation. Busztin predicted that any increase in inflation will be an unbearable burden for government workers (who are generally low paid) and those in the gray economy. He said 50-70% of workers are employed by the state or state-owned enterprises. It's difficult for the young to find a job. The private sector is very limited. The bazaaris, who are the middle class, feel increasingly alienated.

19. (C) Iran was to have started a privatization process. However, many industries were turned over to "power centers" like the Revolutionary Guards. For example, when a foreign buyer was disqualified from buying the largest telecom firm, the Revolutionary Guards bought it.

110. (C) The economy is very reliant on foreign imports, and the "import mafia" have a huge interest in maintaining this situation. The government keeps the Iranian rial at an unnaturally high price, making the situation more favorable for imports than for exports. And domestic producers cannot

compete with the flood of imported goods. Busztin said it is a difficult environment in which to do business.

#### NUCLEAR TALKS

¶11. (C) Busztin said any negative outcome to the nuclear talks could lead to a stronger clampdown, although the government would be reluctant to move full force against the reform movement. He offered that Iran consented to the nuclear talks in order to make itself more palatable to the West. Nevertheless, Busztin did not believe the regime wants to make any significant changes. The regime is willing to go along with IAEA plans to send the uranium to Russia and France. However, the Iranian government will always come up with new conditions in order to stall. In the meantime, he believed the Iranians would feverishly continue with their nuclear program and said they have many, well-concealed nuclear sites. He opined that the Iranians could be closer to their target than the West imagines. He said when the regime is in trouble, it resorts to nationalism and uses the nuclear program to rally the people.

#### ISLAM AS A POLITICAL FORCE

¶12. (C) Busztin said the government uses Islam as a political tool and so religion has increasingly less political influence. Ahmadinejad has called for restoring a pure Islamic revolution. Busztin explained this is aimed at a certain layer of the clergy that has used its position to pillage. Religious foundations, also known as Bonyads, have amassed great fortunes, some of which are used for criminal purposes. Part of the money has been reinvested in Iran, but

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most has been invested abroad or is in Western banks. Rafsanjani heads one foundation, and he has acquired a lot of property in the Toronto area. Ahmadinejad talks a lot about the corruption of the traditional clergy. Ahmadinejad would like to see the Bonyads' wealth incorporated into the state economy and use the sizable wealth for the government.

#### OUTSIDE WORLD

¶13. (C) The regime realizes it is viewed critically by the outside world. For that reason, there has been a government campaign against satellite dishes. BBC Farsi is extremely popular, and so the government jams it, VOA, and CNN, with increasingly sophisticated equipment. The government also periodically blocks the Internet.

#### ADVICE

¶14. (C) Busztin's advice to Washington was to stay the course. It is important to negotiate, so that civil society in Iran does not feel let down. He also believed that sanctions should be directed to hurt the government and not the people. Busztin (protect) complained that European countries looked at their economic interests to the detriment of the Iranian people, rather than promoting European principles of democracy.

¶15. (C) COMMENT: Busztin is a valuable interlocutor, who always seeks us out to share developments in Iran, whenever he is in town. He provides a valuable window on a society where we do not have people on the ground. END COMMENT.

CURRAN